

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 11 23945
POSITION: Neutral, note concerns

BILL NUMBER: AB 378
AUTHOR: J. Solorio

BILL SUMMARY: Workers' Compensation: Pharmacy Products

This bill would specify the reimbursement rates for workers' compensation pharmaceuticals and compounded drug products until the Administrative Director of the Division of Workers' Compensation adopts an Official Medical Fee Schedule (OMFS) that provides reimbursement rates for these products. This bill would also add pharmacy goods, as defined, to the list for which a physician is prohibited from referring to providers where the physician has a financial interest.

FISCAL SUMMARY

The Department of Industrial Relations, Division of Workers Compensation, indicates that the cost to implement the specific reimbursements rates as provided in this bill is absorbable. To establish reimbursement rates in the OMFS will likely require a study, estimated result in contract costs of \$500,000 to \$1 million, and then one position to oversee drafting of and periodic revising of the fee schedule. Development of the initial reimbursement rates for the OMFS is estimated to take two years to complete.

There is no estimate of the savings in pharmaceutical costs in workers' compensation claims but the result may lead to reduced workers' compensation insurance premiums or a smaller increase in premiums.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the May 9, 2011 version are minor and do not alter our position and include an exemption to the provision that restricts physicians from making certain referrals if the physician or their immediate family has a financial interest in the entity that receives the referral.

COMMENTS

The Department of Finance is neutral on the amendments to the pharmaceutical and compounded drug reimbursements that will ultimately provide a savings to the workers' compensation system, but notes a concern about the cost to conduct a study to determine the rates that should be included in the OMFS. This is a costly study and it is not included in the Administration's current fiscal plan.

The Department of Industrial Relations' Division of Workers' Compensation monitors the administration of workers' compensation claims. Current law specifies that the maximum reasonable fees for workers' compensation pharmaceuticals shall be the fees prescribed in the Medi-Cal payment. Current law also provides that a physician is prohibited from referring a claimant for specified services to an entity in which the physician has a financial interest.

This bill would add pharmacy goods, as defined, to the list of goods and services subject to the referral prohibitions and would also provide an exemption to that prohibition. This bill would also specify the reimbursement rates to be used for workers' compensation pharmaceuticals and compounded drugs products until the OMFS is amended to include rates for these products.

Analyst/Principal (0240) J. Sturges	Date	Program Budget Manager Lisa Ann L. Mangat	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

BILL ANALYSIS	Form DF-43 (Rev 03/95 Buff)
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AUTHOR

AMENDMENT DATE

BILL NUMBER

J. Solorio

RN 11 23945

AB 378

The Division of Workers' Compensation indicates that it would take approximately two years to establish the rates to be adopted into the OMFS as staffing or consultants with compounded medicine and pharmaceutical manufacturing, distribution, and pricing knowledge would be necessary to determine appropriate reimbursement rates.

		SO	(Fiscal Impact by Fiscal Year)							
Code/Department		LA	(Dollars in Thousands)							
Agency or Revenue		CO	PROP						Fund	
Type		RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	Code
7350/DIR		SO	No		--	C	\$500 - 1,000		--	0223
<u>Fund Code</u>	<u>Title</u>									
0223	Workers' Comp Administration Revolv Fund									